

TOWNSHIP OF WISE  
Isabella County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Wise	<b>County</b> Isabella
<b>Audit Date</b> March 31, 2006	<b>Opinion Date</b> September 5, 2006	<b>Date Accountant Report Submitted to State:</b> September 5, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

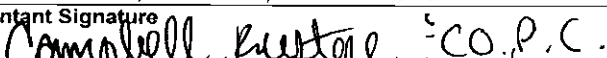
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> 			

TOWNSHIP OF WISE  
Isabella County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	4
Government-wide Statement of Activities	5
Fund Financial Statements:	
Governmental Fund:	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Fund to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	9
Notes to Financial Statements	10-14
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	15
Other supporting information:	
General Fund Expenditures by Detailed Account	16-17
Current Tax Collection Fund – Statement of Changes in Assets and Liabilities	18

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## INDEPENDENT AUDITOR'S REPORT

September 5, 2006

To the Township Board  
Township of Wise  
Isabella County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Wise, Isabella County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Wise's management. Our responsibility is to express opinions on these financial statements based on our audit.

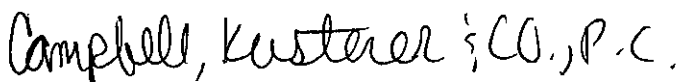
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Wise, Isabella County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2005.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF WISE  
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Wise covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled \$412,595.63 for governmental activities. Overall total capital assets increased due to acquisition of a voting tabulator.

Overall revenues were \$280,634.62. Governmental activities had \$116,190.85 decrease in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund.

TOWNSHIP OF WISE  
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$198,375.61 and Sanitation which incurred expenses of \$61,066.23.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$5,700.00 in capital assets this year.

The Township has no debt at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Treasurer, Gary Todd (989) 386-7467 or the Township Clerk, Doris Methner (989) 465-1267.

TOWNSHIP OF WISE  
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>346 501 22</u>
Total Current Assets	<u>346 501 22</u>
NON-CURRENT ASSETS:	
Capital Assets	98 905 48
Less: Accumulated Depreciation	<u>(32 811 07)</u>
Total Non-current Assets	<u>66 094 41</u>
TOTAL ASSETS	<u>412 595 63</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	66 094 41
Unrestricted	<u>346 501 22</u>
Total Net Assets	<u>412 595 63</u>
TOTAL LIABILITIES AND NET ASSETS	<u>412 595 63</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WISE  
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2006

		<u>Program Revenue</u>	<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	29 759 24	-	(29 759 24)
General government	70 033 42	4 059 36	(65 974 06)
Public safety	35 095 70	1 041 50	(34 054 20)
Public works	260 037 11	66 960 00	(193 077 11)
Culture and recreation	<u>1 900 00</u>	<u>-</u>	<u>(1 900 00)</u>
Total Governmental Activities	<u>396 825 47</u>	<u>72 060 86</u>	<u>(324 764 61)</u>
General Revenues:			
Property taxes			77 756 47
State revenue sharing			97 497 99
Interest			7 912 56
Miscellaneous			<u>25 406 74</u>
Total General Revenues			<u>208 573 76</u>
Change in net assets			(116 190 85)
Net assets, beginning of year			<u>528 786 48</u>
Net Assets, End of Year			<u><u>412 595 63</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF WISE  
Isabella County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2006

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	<u>346 501 22</u>
Total Assets	<u><u>346 501 22</u></u>
<u>Liabilities and Fund Equity</u>	
Liabilities	
Total liabilities	<u>-</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>346 501 22</u>
Total fund equity	<u><u>346 501 22</u></u>
Total Liabilities and Fund Equity	<u><u>346 501 22</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WISE  
Isabella County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	346 501 22
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	98 905 48
Accumulated depreciation	<u>(32 811 07)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>412 595 63</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WISE  
Isabella County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES --  
GOVERNMENTAL FUNDS  
Year ended March 31, 2006

	<u>Total (General)</u>
Revenues:	
Property taxes	77 756 47
Licenses and permits	1 041 50
State revenue sharing	97 497 99
Charges for services	4 059 36
Interest	7 912 56
Special assessment	66 960 00
Miscellaneous	<u>25 406 74</u>
Total revenues	<u>280 634 62</u>
Expenditures:	
Legislative:	
Township Board	29 759 24
General government:	
Supervisor	15 052 91
Elections	1 036 80
Assessor	7 811 04
Clerk	14 048 71
Treasurer	16 646 95
Building and grounds	5 110 24
Board of Review	2 544 09
Cemetery	4 315 57
Public safety:	
Fire protection	29 814 85
Planning and zoning	5 034 78
Public works:	
Highways and streets	198 375 61
Drains	595 27
Sanitation	61 066 23
Capital outlay	<u>5 700 00</u>
Total expenditures	<u>396 912 29</u>
Excess (deficiency) of revenues over expenditures	(116 277 67)
Fund balances, April 1	<u>462 778 89</u>
Fund Balances, March 31	<u><u>346 501 22</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WISE  
Isabella County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (116 277 67)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(5 613 18)
Capital Outlay	<u>5 700 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (116 190 85)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF WISE  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Wise, Isabella County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Wise. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF WISE  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was 2.9589 mills, and the taxable value was \$26,346,597.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF WISE  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	30-50 years
Equipment	10-20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2005, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$66,094.41.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.

TOWNSHIP OF WISE  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 2 – Budgets and Budgetary Accounting (continued)

3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>346,501.22</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.



TOWNSHIP OF WISE  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 3 -- Deposits and Investments (continued)

	<u>Bank Balances</u>
Insured (FDIC)	107 440 95
Uninsured and Uncollateralized	<u>247 053 62</u>
Total Deposits	<u><u>354 494 57</u></u>

The Township did not have any investments as of March 31, 2006.

Note 4 -- Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
<u>Governmental Activities:</u>				
Land	31 514 00	-	-	31 514 00
Buildings	40 230 75	-	-	40 230 75
Equipment	<u>21 460 73</u>	<u>5 700 00</u>	-	<u>27 160 73</u>
Total	93 205 48	5 700 00	-	98 905 48
Accumulated Depreciation	<u>(27 197 89)</u>	<u>(5 613 18)</u>	-	<u>(32 811 07)</u>
Net Capital Assets	<u><u>66 007 59</u></u>	<u><u>86 82</u></u>	<u><u>-</u></u>	<u><u>66 094 41</u></u>

Note 5 -- Pension Plan

The Township does not have a pension plan.

Note 6 -- Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 -- Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 -- Building Permits

The Township of Wise does not issue building permits. Building permits are issued by the County of Isabella.

TOWNSHIP OF WISE  
Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	73 284 00	73 284 00	77 756 47	4 472 47
Licenses and permits	1 205 00	1 210 00	1 041 50	(168 50)
State revenue sharing	98 400 00	98 400 00	97 497 99	(902 01)
Charges for services	3 400 00	3 400 00	4 059 36	659 36
Interest	3 500 00	3 500 00	7 912 56	4 412 56
Special assessments	61 710 00	61 710 00	66 960 00	5 250 00
Miscellaneous	2 000 00	2 000 00	25 406 74	23 406 74
Total revenues	<u>243 499 00</u>	<u>243 504 00</u>	<u>280 634 62</u>	<u>37 130 62</u>
Expenditures:				
Legislative:				
Township Board	55 300 00	56 879 70	29 759 24	(27 120 46)
General government:				
Supervisor	15 500 00	15 500 00	15 052 91	(447 09)
Elections	2 800 00	2 800 00	1 036 80	(1 763 20)
Assessor	8 000 00	8 000 00	7 811 04	(188 96)
Clerk	14 800 00	14 800 00	14 048 71	(751 29)
Treasurer	18 000 00	18 000 00	16 646 95	(1 353 05)
Building and grounds	11 500 00	11 500 00	5 110 24	(6 389 76)
Board of review	3 700 00	3 900 00	2 544 09	(1 355 91)
Cemetery	6 485 95	7 797 84	4 315 57	(3 482 27)
Public safety:				
Fire protection	99 500 00	111 500 00	29 814 85	(81 685 15)
Planning and zoning	13 500 00	13 500 00	5 034 78	(8 465 22)
Public works:				
Highway and streets	203 250 00	203 250 00	198 375 61	(4 874 39)
Drains	2 000 00	2 000 00	595 27	(1 404 73)
Sanitation	73 700 00	86 102 30	61 066 23	(25 036 07)
Contingency	75 000 00	-	-	-
Capital outlay	96 192 20	96 192 20	5 700 00	(90 492 20)
Total expenditures	<u>699 228 15</u>	<u>651 722 04</u>	<u>396 912 29</u>	<u>(254 809 75)</u>
Excess (deficiency) of revenues over expenditures	(455 729 15)	(408 218 04)	(116 277 67)	291 940 37
Fund balance, April 1	<u>455 729 15</u>	<u>456 929 15</u>	<u>465 778 89</u>	<u>5 879 74</u>
Fund Balance, March 31	<u>-</u>	<u>48 711 11</u>	<u>346 501 22</u>	<u>297 790 11</u>

TOWNSHIP OF WISE  
Isabella County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2006

Township Board:	
Trustees' wages	3 000 00
Payroll taxes	4 078 12
Dues	2 670 98
Printing and publications	1 497 10
Insurance	4 265 00
Supplies	6 921 67
Contracted services	2 286 35
Repairs and maintenance	2 067 61
Miscellaneous	2 972 41
	<u>29 759 24</u>
Supervisor:	
Salary	11 799 94
Deputy Supervisor salary	1 500 10
Transportation	887 33
Miscellaneous	865 54
	<u>15 052 91</u>
Elections:	
Miscellaneous	1 036 80
	<u>1 036 80</u>
Assessor:	
Contracted services	7 811 04
	<u>7 811 04</u>
Clerk:	
Salary	11 124 94
Deputy Clerk salary	1 500 00
Transportation	254 82
Education	543 00
Miscellaneous	625 95
	<u>14 048 71</u>
Treasurer:	
Salary	13 424 96
Deputy Treasurer salary	1 500 00
Education	398 00
Transportation	599 37
Miscellaneous	724 62
	<u>16 646 95</u>
Building and grounds:	
Utilities	2 766 42
Repairs and maintenance	408 16
Street lights	1 935 66
	<u>5 110 24</u>
Board of Review:	
Wages	2 100 00
Education	245 00
Miscellaneous	199 09
	<u>2 544 09</u>
Cemetery:	
Contracted services	1 775 00
Repairs and maintenance	2 540 57
	<u>4 315 57</u>

TOWNSHIP OF WISE  
Isabella County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2006

Fire protection:	
Board wages	675 00
Transportation	29 15
Contracted services	<u>29 110 70</u>
	<u>29 814 85</u>
Planning and zoning:	
Contracted services	4 630 00
Transportation	65 80
Education	<u>338 98</u>
	<u>5 034 78</u>
Highways and streets	
	<u>198 375 61</u>
Drains	
	<u>595 27</u>
Sanitation:	
Contracted services	<u>61 066 23</u>
Capital outlay	
	<u>5 700 00</u>
Total Expenditures	<u><u>396 912 29</u></u>

TOWNSHIP OF WISE  
Isabella County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2006

	<u>Balance</u> <u>4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/06</u>
<u>Assets</u>				
Cash in Bank	<u>61 924 61</u>	<u>832 438 88</u>	<u>894 363 49</u>	<u>-</u>
<u>Liabilities</u>				
Due to other funds	20 109 95	162 558 67	182 668 62	-
Due to others	<u>41 814 66</u>	<u>669 880 21</u>	<u>711 694 87</u>	<u>-</u>
Total Liabilities	<u>61 924 61</u>	<u>832 438 88</u>	<u>894 363 49</u>	<u>-</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA**

**512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707**

**TEL (989) 894-1040  
FAX (989) 894-5494**

## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

September 5, 2006

To the Township Board  
Township of Wise  
Isabella County, Michigan

We have audited the financial statements of the Township of Wise for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Wise in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Wise  
Isabella County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2006. The implementation of this pronouncement for the Township of Wise began with the year ended March 31, 2006. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

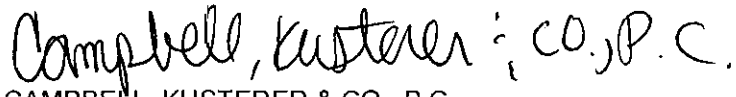
These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

To the Township Board  
Township of Wise  
Isabella County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Campbell, Kusterer & Co., P.C." in a cursive, flowing style.

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants